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S E C R E T SECTION 01 OF 03 KATHMANDU 000991

SIPDIS

STATE FOR SA/INS
LONDON FOR POL - GURNEY

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TAGS: [PGOV](#) [PREL](#) [NP](#) [GON](#)

SUBJECT: NEPAL: PM RESIGNS; NEW GOVERNMENT, PROBABLY WITH
SOME OLD FACES, TO BE FORMED

REF: A. KATHMANDU 0961
[B](#). KATHMANDU 0978

Classified By: CDA ROBERT K. BOGGS. REASON: 1.5 (B,D).

SUMMARY

[1](#)1. (S) Prime Minister Lokendra Bahadur Chand resigned from office on May 30. Well-placed Palace sources predict the Palace will approach leaders of the Parliamentary parties to form an all-party government. A confidant of the King credits US (and, we believe, Indian) pressure with encouraging the King to compromise. Palace sources are suggesting former Panchayat Prime Minister and head of the National Democratic Party Surya Bahadur Thapa as the parties' consensus candidate for Prime Minister. Whether the parties will accept this initiative, if it is indeed offered, depends on several factors, including whether all can agree on the aging, four-time former Prime Minister to head an all-party Cabinet. End summary.

KING TAPPING THAPA?

[1](#)2. (S) Royal confidant Prabhakar Rana told Charge on May 29 that he had been instructed by King Gyanendra to inform him that Prime Minister Lokendra Bahadur Chand would step down the following day and that the King would invite leaders of the Parliamentary parties to form a new all-party interim government. Rana predicted that the parties will choose former leader of the rightist National Democratic Party (known by its Nepali acronym as RPP) and four-time former Prime Minister Surya Bahadur Thapa as the consensus nominee to head the new government. Thapa will be more acceptable to the parties than Chand (another former RPP leader and Panchayat Prime Minister), Rana said confidently, because he is perceived as being more supportive of democracy and has a reputation as a savvy politician, able to build consensus and take decisions. (Note: This is the second time we have heard this prospective scenario from Rana. The first time--in mid-April--events did not unfold as described. End note.)

[1](#)3. (S) Rana said the King had been influenced to act because of USG concerns, conveyed by Charge in a May 28 meeting with Rana, that the Palace was missing an opportunity to bring the parties together for the good of the nation. (Comment: Indian pressure on the King may have proved even more decisive. See Para 4 below. End comment.) For the initiative to work, however, the Palace is relying on the Embassy to help persuade the parties to cooperate, Rana said. Should the parties fail to take advantage of this opening, the King will be forced "to take other action," Rana cautioned. The Charge asked what effect a change in Cabinet might have on ongoing dialogue with Maoist insurgents, since all the members of the Government negotiating team are also Cabinet members. Rana related that since the Maoists had expressed discontent with the head of the Government team, Information Minister Ramesh Nath Pandey, and that some reportedly were even complaining about dialogue coordinator and Physical Planning Minister Narayan Singh Pun, perhaps a change would be good. (Comment: We're willing to believe the Maoists want to get rid of Pandey; the comments about Pun seem less credible. In our view, retaining Pun, who first established dialogue with the Maoists, would help maintain continuity and confidence in the talks. End comment.)

[1](#)4. (S) Later the same evening Charge was contacted at home by Geeta Joshi, an advisor to PM Chand, who confirmed that Chand would step down. Joshi said the move was prompted by the "tremendous pressure" the Indians had brought to bear on the King to compromise with the political parties.

[1](#)5. (SBU) On May 30 Prime Minister Chand announced his resignation. According to the state-owned news agency, the rest of his Cabinet will continue until a new government can be formed. According to police sources, by mid-afternoon the King had invited members of the parliamentary parties to the long-deferred "tea party" to discuss formation of a new

Cabinet.

16. (S) A high-ranking member of the National Security Council told us on May 30 that the King plans to invite first all former Prime Ministers to a discussion, to be followed by members of the Parliamentary parties. Besides Thapa, he suggested former Speaker of Parliament Taranath Ranabhat as a possible consensus candidate. Madhav Nepal, the head of the Communist Party of Nepal - United Marxist Leninist (UML), currently the largest party in the country, is no longer in the running, he indicated.

PARTIES ARE WEIGHING OPTIONS

17. (SBU) Even before the PM's announcement, on May 30 the local press was reporting the rumor that Chand would step down and be replaced by Thapa. Jhala Nath Khanal, a Central Committee member of the Communist Party of Nepal - United Marxist Leninist (UML) told us that Thapa had been informally proposed to the UML as a consensus candidate by current RPP President Pashupati S.J.B. Rana. The UML would obviously prefer that someone from one of the two largest parties--the UML or the Nepali Congress--be tapped, but the UML respects Thapa's pro-democracy stance and would not reject his candidacy out of hand, Khanal said.

18. (U) Khanal's comparatively conciliatory tone contrasts sharply with recent hard-line rhetoric emanating from the parties, especially since their May 28-29 "reconvening" of the dissolved Parliament at the Royal Nepal Academy (Ref B). Some former MPs at the May 29 sit-in--including some from the UML--reportedly called for the establishment of a republic if the King continues his "activism." The meeting, which was chaired by Nepali Congress President and former Prime Minister G.P. Koirala, adopted a six-point statement, featuring a proposal that the Chand government be replaced by either an all-party government or by reinstatement of the Parliament.

PARTIES' PROBABLE REACTION:
A LOT DEPENDS ON PACKAGING

19. (S) Comment: Whether or not the parties will accept this initiative depends, to a large degree, on how it is presented to them. Chand was, by all accounts, the parties' consensus candidate for interim Prime Minister in October. Only after the King appointed all the rest of the Cabinet as well (a move which royal confidant Rana now acknowledges as a misstep) did the parties begin to complain that the government was "unconstitutional." However much the UML and the Nepali Congress might wish it, the King is unlikely to accept the head of either party as PM. There is too much bad blood by now between Koirala (who had apparently threatened to accuse the King publicly of involvement in the royal massacre) and the King, while both the Indians and the Maoists harbor strong objections (albeit for different reasons) to the nomination of UML General Secretary Madhav Nepal. As a former leader of the pro-Palace RPP and a former Prime Minister during the autocratic Panchayat regime, Surya Bahadur Thapa is obviously more preferable--and can be expected to be more sympathetic--to the King. His pro-democracy credentials, on the other hand, could make him more palatable to the parties, who could see him as less easily manipulated by the Palace than long-time rival Chand.

10. (S) Comment continued: The King's reported intention to seek a consensus PM and form a consensus Cabinet is indeed welcome news. But since the parties already feel, whether justifiably or not, that they were hoodwinked by the Palace the last time into agreeing to Chand with the understanding that other portfolios in the Cabinet would be equitably doled out--only to have the King appoint the rest of the Cabinet as well--the parties may be doubly cautious and suspicious this time. If the parties perceive that Thapa is being forced upon them, they may become recalcitrant--thereby possibly incurring the "other action" by the King that Rana hinted at. If the "tea party" initiative fails to result in the desired consensus, the King may harden his stance against the parties, and mutual suspicion will increase. We will continue to encourage both the parties and our Palace interlocutors to work together to form a government that more closely reflects Nepal's multi-party landscape.
BOGGS